

Media Release:

Systemx Corp. Ratings Affirmed At 'twA-/twA-2', Liquidity Revised Upward To Strong; Outlook Stable

July 26, 2022

Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twA-' long-term and 'twA-2' short-term issuer credit ratings on **Systemx Corp.** The outlook on the long-term rating remains stable. The affirmation reflects our view that Systemx's inferior technology capability and product mix as well as a smaller operating scale than its global peers result in lower profitability. Taiwan's fragmented market structure and intense competition also constrain the company's market position.

Systemx's system integration capability along with domain know-how grant the company a competitive edge in some niche domestic segments. Systemx also has a strong balance sheet with zero net debt although debt could rise over the next three years to support the company's aggressive growth plan.

We have upwardly revised our liquidity assessment for Systemx to strong from adequate, which mainly reflects the company's higher funds from operation and net cash balance over the last two years. The adjustment has no rating impact. We forecast the company will see a ratio of liquidity sources to liquidity uses of 2.0x-2.5x over the next 24 months and we anticipate Systemx will have positive liquidity sources minus uses, even if its EBITDA declined by 30%. The company has generally prudent risk management to ensure continued strong liquidity. We also believe Systemx has sound relationship with banks, supported by the company's stable performance and good reputation among Taiwan's tech companies. Systemx's bank loans carry no financial covenants.

Related Criteria & Research

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct 10 2021
- General Criteria: Group Rating Methodology, Jul 01 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Apr 01 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, Jun 25 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec 16 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov 19 2013
- General Criteria: Methodology: Industry Risk, Nov 19 2013
- Criteria | Corporates | General: Corporate Methodology, Nov 19 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov 13 2012

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- General Criteria: Principles Of Credit Ratings, Feb 16 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

System Corp.

Issuer Credit Rating	twA-/Stable/twA-2
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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